



**Health Plans Being Squeezed**

**Health Plans Expand & Access Equity**

**National Trends Playing Out in Mid-Atlantic Region**

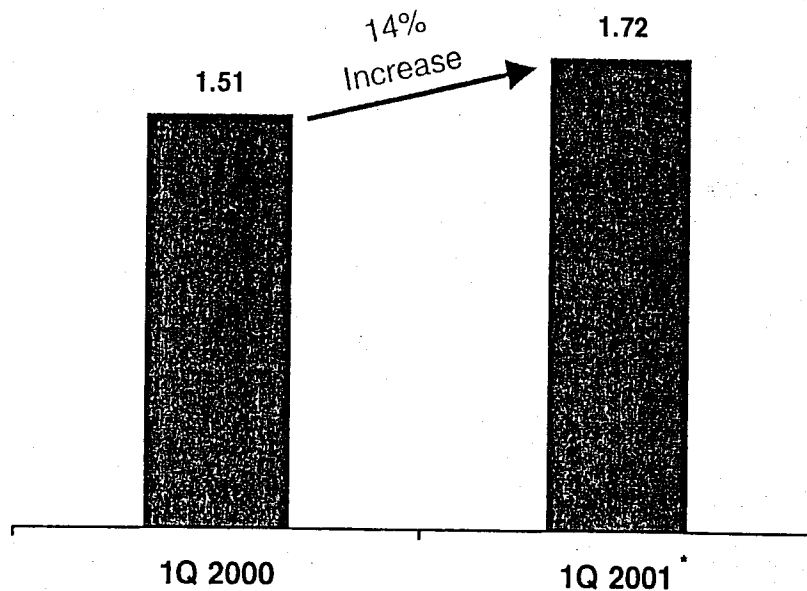
**CareFirst Must Gain Substantial Scale & Access Capital**

**Timing Appears Favorable for CareFirst to Act**

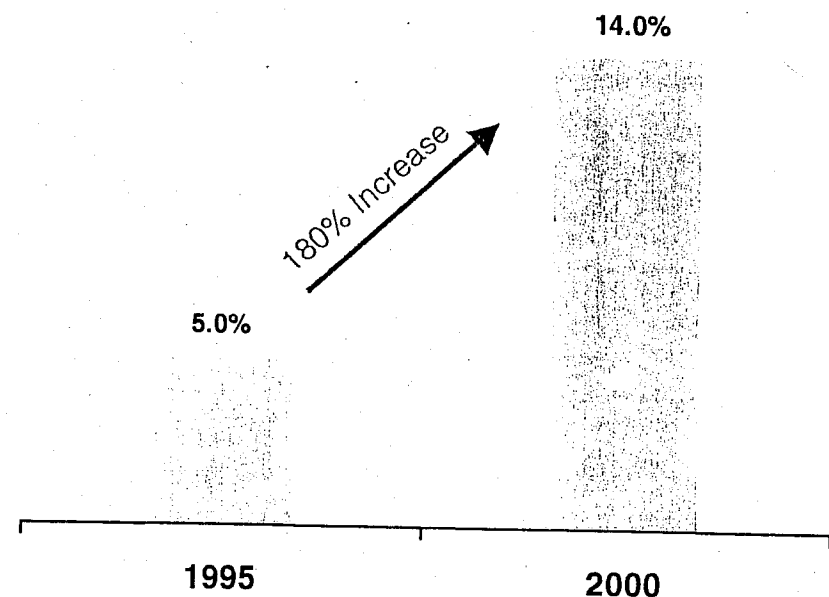
**CareFirst's Constituents Likely to Benefit**

**Coventry Health Care purchased all or parts of 11 health plans in a three-year period; Aetna acquired U.S Healthcare, NYLCare and Prudential Healthcare.**

**Coventry's National Membership Growth**  
(Membership in Millions)



**Aetna's U.S. Healthcare Market Share**  
(Mid-Atlantic Region)



*\*After 1Q 2001, Coventry acquired 160,00 additional members through purchasing Blue Ridge Health Alliance in Central Virginia (including QualChoice HMO)*

Source: CareFirst Data; Accenture Analysis

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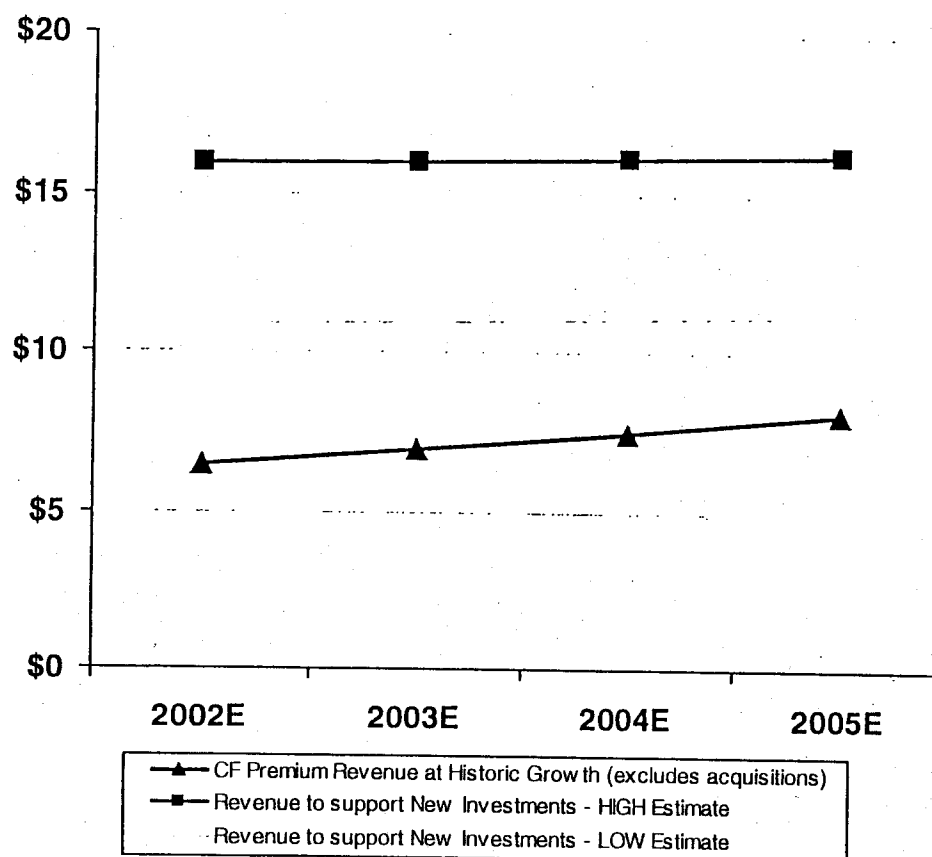
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**Maintaining its current ratio of “discretionary spend” as a portion of revenue to support investments, CareFirst would need to have \$11 - \$16 billion in revenues.**

### CareFirst Revenue Required to Support Investments (\$ in Billions, 2002E – 2005E)



#### Key Assumptions:

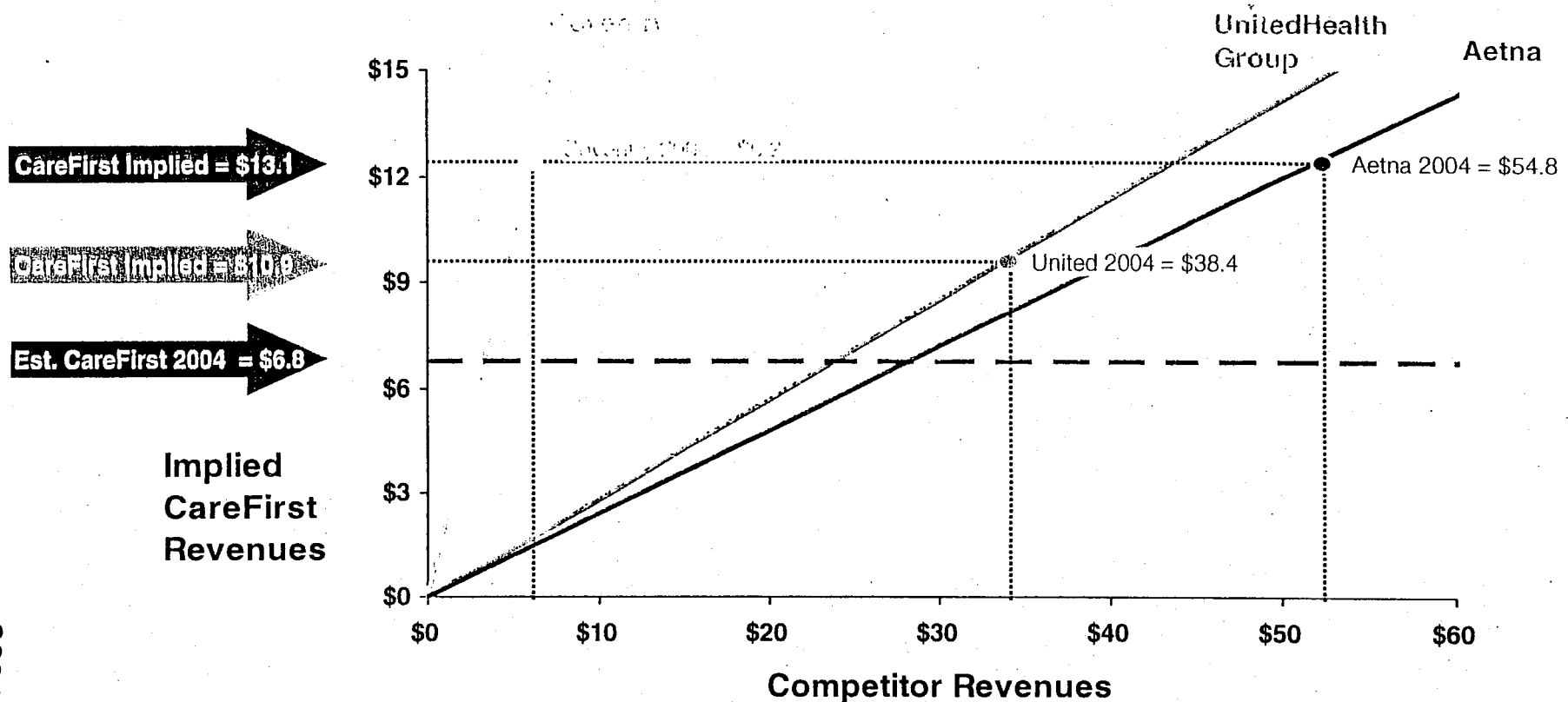
- Investments of \$420-\$640 required
- Investments required over 3-5 year period
- 20% of existing discretionary spending still required

Source: CareFirst data; Accenture Analysis

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**To maintain scale relative to competition, CareFirst would need between \$11 and \$13B in revenue by 2004; \$4-6B more than its current growth rate would provide.**

## CareFirst "Implied" Revenue to Maintain Size Relative to Competitors, 2004 (\$ in Billions)



Source: CareFirst data, SEC filings, Accenture analysis

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